

Message Text

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INFO USMISSION NATO

C O N F I D E N T I A L STATE 246929

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJ: OFFSET NEGOTIATIONS

1. UNDER SECRETARY CASEY PLANS TO SCHEDULE NEXT MEETING WITH AMBASSADOR HERMES MID-JANUARY FOLLOWING LATTER'S RETURN FROM HOLIDAY. TO GIVE HERMES OPPORTUNITY TO PREPARE FOR DISCUSSION, REQUEST THAT EMBASSY APPROACH HERMES PRIOR HIS DEPARTURE TO MAKE FOLLOWING POINTS:

A. USG CONSIDERS IS IN OUR MUTUAL INTEREST THAT WE MAKE EVERY EFFORT TO COMPLETE NEGOTIATIONS NEXT MONTH. CASEY THEREFORE WOULD LIKE SCHEDULE NEXT ROUND OF TALKS NO LATER THAN MID-JANUARY.

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B. WE HAVE GIVEN THOROUGH STUDY TO CURRENT FRG OFFER AND HAVE REACHED CONCLUSION THAT FOR VARIETY OF REASONS IT WOULD BE MOST HELPFUL IF GERMAN SIDE WOULD GIVE MOST SERIOUS CONSIDERATION TO ASSUMPTION CERTAIN BUDGETARY COSTS, IN ADDITION LOCAL COSTS ALREADY INCLUDED GERMAN OFFER.

C. LIST OF SUCH COSTS (CONTAINED STATE 127877)
ALREADY DELIVERED TO HERMES END OF JUNE. WE WANT TO ASK FRG AGAIN TO ASSUME SUCH RECURRING BUDGETARY COSTS AS UTILITIES (\$67 MILLION); LONG-HAUL TRANSPORTATION COSTS

(\$24 MILLION); OPERATION US ARMY MAINTENANCE PLANTS (\$43 MILLION); OPERATION US SUPPLY DEPOTS AND COLD STORAGE SITES (\$51 MILLION).

D. FRG ASSUMPTION OF ABOVE RECURRING COSTS WOULD ADD \$370 MILLION TO TWO-YEAR OFFSET PACKAGE, OR \$185 MILLION ON ANNUAL BASIS. THAT WOULD BRIDGE REMAINING GAP BETWEEN CURRENT GERMAN LOCAL COSTS OFFER OF ABOUT \$248 MILLION AND OUR ESTIMATED INCREMENTAL BUDGETARY COSTS IN FRG OF \$620 MILLION FOR FY 74-75.

E. WE ARE PERSUADED THAT EVEN THOUGH GERMAN ASSUMPTION OF ABOVE LOCAL COSTS WOULD STILL LEAVE US FAR SHORT OF COMPLETE OFFSET GOAL, FRG WILLINGNESS TO PROVIDE THIS BUDGETARY RELIEF WILL MAKE IT MUCH EASIER IN LIGHT CONGRESSIONAL AND OTHER CONSIDERATIONS TO REACH AGREEMENT THAN IS THE CASE AT PRESENT. WE BELIEVE FRG ABILITY TO HANDLE THESE LOCAL COSTS WILL PROVIDE SOLID BASIS FOR MEETING JACKSON-NUNN REQUIREMENTS ON NATO-WIDE BASIS. WILL ELABORAE AT NEXT MEETING WITH HERMES.

2. COMMENT: FYI: WE WILL ENDEAVOR BEFORE NEXT MEETING WITH HERMES TO OBTAIN NEEDED CLARIFICATIONS ON IMPLICATIONS OF JACKSON-NUNN AMENDMENT AND SUCH OTHER OUTSTANDING QUESTIONS AS LOANS, BOP FEEDBACK, AND ACCEPTABILITY GERMAN PROPOSAL TO CREDIT FRG IN OFFSET WITH COSTS BORNE UNDER SOFA AND BERLIN OCCUPATION.
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